Supreme Court, U.S.
FILED
04-600 OCT 27 2004
OFFICE OF THE CLERK

No. 04-

IN THE

Supreme Court of the United States

WILLIAM HASKELL FARMER,

Petitioner,

v.

UNITED STATES OF AMERICA,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The government charged William Haskel Farmer with trafficking in counterfeit t-shirts. Mr. Farmer purchased t-shirts either from the trademark holder or shirts manufactured for the trademark holder. These shirts were purchased in blank and Mr. Farmer then placed the logo of the company for whom they were manufactured on the shirt. Mr. Farmer established at his trial that Nike and Tommy Filfiger both sold t-shirts that had labels of other manufactures removed from the shirts and replaced with labels of their respective companies. The Fourth Circuit Court of Appeals held that the placing of a logo on a garment manufactured for the logo holder violates the criminal provisions of the trademark law. They also held that the replacing of another company's label with that of the trademark holder did not entitle Mr. Farmer to the equitable defense of unclean hands.

The questions presented for review are:

1. When a person places the logo of a company on product manufactured for that company and sells the product, has that person trafficked in counterfeit goods?

2. When a company sells to the public shirts that were manufactured for another company which have had the labels replaced with the labels of the company selling the product, is that company guilty of unclean hands so that the equitable doctrine of unclean hands may be asserted by the defendant in a criminal case?

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William Haskell Farmer, the Petitioner, respectfully petitions for a writ of *certiorari* to review the judgment of the United States Court of Appeals for the Fourth Circuit.

OPINIONS BELOW

The opinion and Order of the United States District Court for the District of South Carolina is not reported. App. at 13a. The June 4, 2004 order of the Court of Appeals for the Fourth Circuit is reported at 370 F.3d 435 (4th Cir. 2004). The June 29, 2004 order of the Court of Appeals for the Fourth Circuit denying the petitioner's timely request for rehearing is unreported. App. at 31a.

STATEMENT OF JURISDICTION

The United States Court of Appeals for the Fourth Circuit entered its judgment on June 4, 2004. It denied a timely request for a re-hearing on June 29, 2004. On September 27, 2004 this Court, upon the request of the Petitioner, extended the time to file this petition for writ of *certiorari* until and including October 27, 2004.

The jurisdiction of the Fourth Circuit was invoked pursuant to 28 U.S.C. § 1291. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1) and Supreme Court Rule 10(a) and (c) in that the United States Court of Appeals for the Fourth Circuit has decided a Federal Question involving the trademark laws, 15 U.S.C. § 1051 *et seq.*, that is in conflict with other circuits and opinions of this Court. The question involved is an important question of federal trademark law that should be resolved by this Court.

STATUTES INVOLVED

The relevant provisions of 15 U.S.C. § 1051(a)(2) provides:

(a) Application for use of trademark

> (1) The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director, and such number of specimens or facsimiles of the mark as used as may be required by the Director.
>
> (2) The application shall include specification of the applicant's domicile and citizenship, the date of the applicant's first use of the mark, the date of the applicant's first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.

The relevant provisions of 15 U.S.C. § 1115 provides:

(b) Incontestability; defenses

> To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the

registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent

the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or

(C) publication of the registered mark under subsection (c) of section 1062 of his title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

The relevant provisions of 15 U.S.C. § 1127 provides:

Construction and definitions; intent of chapter

> The term "trademark" includes any word, name, symbol, or device, or any combination thereof —
>
> (1) used by a person, or
>
> (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The relevant provisions of 18 U.S.C. § 2320 provides:

> (a) Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services shall, if an individual, be fined not more than $2,000,000 or imprisoned not more than 10 years, or both, and, if a person other than an individual, be fined not more than $5,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than $5,000,000 or imprisoned not more than

20 years, or both, and if other than an individual, shall be fined not more than $15,000,000.

(b) Upon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles.

(c) All defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act shall be applicable in a prosecution under this section. In a prosecution under this section, the defendant shall have the burden of proof, by a preponderance of the evidence, of any such affirmative defense.

STATEMENT OF THE CASE

On July 16, 1998 agents of the United States customs conducted a raid on the residence of William Haskell Farmer. From his residence they seized several trucks, automobiles, numerous items of person property, and $365,000 in cash. Based upon information obtained from that search, they obtained a search warrant for a warehouse rented by Mr. Farmer.

Primarily seized from Mr. Farmer were ten of thousands of t-shirts bearing the logo neck label or the RN-care label number of Tommy Hilfiger or Nike. Several thousand t-shirts were seized that bore trademarks of other companies but are not involved in this litigation. Based upon the information obtained in the two searches, customs agents then seized numerous t-shirts and other apparel that belonged to

Mr. Farmer. These items were seized from Heritage Embroidery, Dixie Screen Printing, and Hebron Apparel. The basis for seizing the items was an allegation that Mr. Farmer had violated the criminal provisions of the trademark law by selling t-shirts with a logo that Mr. Farmer was not authorized to place on the shirt.

Over a period of almost two years, Mr. Farmer had purchased on the open market t-shirts and other apparel manufactured for Nike and Tommy Hilfiger. The care and content label in the neck of the garments had the RN number of the manufacturer or the company for whom they were manufactured. The vast majority of the items purchased had no logo on them other than the logo on the care and content label. Most also had neck labels containing the trademark of Nike or Tommy Hilfiger and the RN number for that company. He then placed the logo on the t-shirts and sold them to wholesalers. All the shirts were sold as irregulars or seconds.

Mr. Farmer filed a motion to dismiss the trademark counts from the indictment on the ground that the government had not alleged that Mr. Farmer had placed the logo of the trademark holder on product that was not the genuine product of the trademark holder. This motion was denied by the Hon. Cameron Currie. She ruled that all the government had to prove was that Mr. Farmer had placed the logo on the garments without authorization from the trademark holder. She further ruled that government was required to produce the quality control standards established by the trademark holders for the placing of the logon on the garments. App. at 22a-23a.

The quality control standards produced by the holders of the mark consisted of a letter of less than two pages describing in a very general manner how the companies inspect the logos. Letter from David Simpson to AUSA Eric Ruschky dated January 3, 2003 No specifics as to the standards for placing the logo on the t-shirts were produced in the letter.

At trial Mr. Farmer asserted as affirmative defenses the doctrines of unclean hands and abandonment on the part of the trademark holders. Grant Jones testified, without objection, that licensed dealers of Nike and Tommy Hilfiger had retained him to take labels out of the t-shirts of other manufactures and place their labels in the t-shirts. Vol. III Tr. at 167, ll 5-25 to 172, ll 1-12. In addition, evidence was introduced that Nike Factory Outlet stores sold t-shirts that had the label cut out and the label of Nike sewn on top of the neck. Vol. IV Tr. at 4, ll 4-25 to 5, ll 1-4; Vol IV Tr. at 15, ll 4-16. The trial judge ruled that the evidence did not establish a factual question as to whether Nike and Tommy Hilfiger had engaged in deceptive practices so as to permit Mr. Farmer to use the defense of unclean hands or abandonment.

The government prosecuted the case based upon proving that Mr. Farmer did not have permission to place the logo on the t-shirts regardless of for whom they were manufactured. As the government asserted, and the trial judge agreed, "In this case we are not dealing with counterfeit shirts or genuine shirts, it is not a Nike shirt until Nike authorizes its trademark to be affixed to the shirt. What is counterfeited here is the mark and not the shirt. Using the mark without authorization." Vol. IV, Tr. at 1744, ll 14-19. The government further argued that "If they — Nike chooses to put

themselves, their trademark on a rag and sell it, that is their prerogative." Vol. IV Tr. at 7, ll 17-18.[1]

During the presentation of Mr. Farmer's case, the trial judge sustained an objection made by the government as to testimony that Nike had at its factory outlet stores sold t-shirts that had a label cut out and a Nike label sewn on top of the neck lining. Vol. IV Tr. at 4, ll 3-25 to 5, ll 1-4. As previously noted, Mr. Jones had testified without objection that he had been paid by Nike and Tommy Hilfiger distributors to remove labels from t-shirts and replace them with either Nike or Tommy Hilfiger labels. After sustaining the objection, the trial court ruled that Mr. Farmer had not presented sufficient evidence to permit the jury to consider the defense of unclean hands. Mr. Farmer then entered a conditional plea preserving for review the issues contained herein. He was sentenced to 84 months in prison.

Lower court proceedings

The jurisdiction of the district court is based upon 18 U.S.C. § 3231. Jurisdiction for the Circuit Court is base upon 28 U.S.C. § 1291.

The district court ruled that the placing of the trademark upon a shirt without the authorization of the trademark holder violated the criminal trademark law even if the shirt were the genuine product of the trademark holder. App. at 17a. She further ruled that even if the defendant had proven that the Nike and Tommy Hilfiger, the two trademark holders

1. If Nike were to do this, a very good argument would be made that they had abandoned the trademark because no standards were being used. *See Barcamerica International USA Trust v. Tyfield Importers, Inc.*, 289 F.2d 589 (9th Cir. 2002)

involved in this case, had taken labels out of shirts belonging to other manufactures and replaced the label with their own label, such a practice does not deceive the public and therefore would not as a matter of law entitle Mr. Farmer to the equitable defense of unclean hands.

After the above two ruling by the district court, Mr. Farmer entered a conditional plea by which he admitted that he did place the logo of Nike and Tommy Hilfiger on t-shirts that had been manufactured for Nike and Tommy Hilfiger without authorization from either company to place the marks on the t-shirts. Vol. IV Tr. at 42, ll 19-24

The Fourth Circuit Court of Appeals on June 4, 2004 affirmed the conviction in an opinion published at 370 F.3d 435 (4th Cir. 2004).

REASONS FOR GRANTING THE PETITION

When a person places the logo of a company on product manufactured for that company and sells the product, has that person trafficked in counterfeit goods?

William Haskell Farmer filed a motion to dismiss based upon the failure of the government to allege a violation of 18 U.S.C. § 2320. For purposes of the hearing on the motion, the fact that Mr. Farmer placed the trademark upon t-shirts manufactured for Nike or Tommy Hilfiger, was accepted as fact.[2] The government asserted at the hearing, and later at

2. At trial, David Simpson, the expert for Nike, testified that no one at Nike had ever made a determination that the t-shirts were not Nike t-shirts based upon an examination of the t-shirts. Vol. II Tr. at 95, ll 10-13.

trial, that a violation of the trademark laws occurs when Mr. Farmer placed the trademark on the t-shirt that was manufactured for the holder of the trademark. Mr. Farmer's position is that the placing of the trademark of the company on the product of the company is not a violation of the trademark law. Mr. Farmer contends that the purpose of a trademark is to identify the product of the holder of the trademark so that the product of another is not passed off as that of the trademark holder. The trademark law does not prohibit copying of the logo.

After hearing argument on the motion, the trial judge ruled that a violation occurs by affixing a logo to the shirt. As the Court ruled "Even if Defendant affixed a Nike trademark logo to a Nike t-shirt using Nike quality control standards, the resulting product is not truly 'genuine' because it was not assembled with Nike in control of the quality of the assembly." App. at 20a. No court has ever held the word "genuine" to have a meaning to include only the logo. Such a position literally turns trademark law on its head. The ruling means that the value is in the trademark itself and not in the product. The purpose of a trademark is so that the public will know the value of the product to which it is attached. Trademark law is not served by giving value to the mark and no value to the product.

As defined by the United States Code, a trademark does not mean the mark itself. It is defined as "any word, name symbol, or device, or any combination thereof . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if the source is unknown." 15 U.S.C. § 1127. When applying for a trademark, the applicant is required to state the goods with which the mark

will be used. 15 U.S.C. § 1051(a)(2). From the plain meaning of the definition of trademark, the law only applies when the mark is used to distinguish a product. Congress did not prohibit the unauthorized use of a trademark on a genuine product.

This Court in 1924 stated "A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his." *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924); *see also Kidd v. Johnson*, 100 U.S. 617, 620 (1879) ("the primary purpose of a trademark is to indicate by its meaning or association the origin of the article to which it is affixed") More recently the Seventh Circuit has said "The more fundamental point is that the purpose of trademark law is not to guarantee genuine trademarks but to guarantee that every item sold under a trademark is the genuine trademarked product and not a substitute." *General Electric Co. v. Speicher*, 877 F.2d 531, 534 (7th Cir. 1989). In *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000) the court in holding that selling counterfeit trademark labels is not prohibited said "A trademark is meant to identify goods so that a customer will not be confused as to their source." *Id.* at 1252.

These line of cases led to the Fifth Circuit Court of Appeals decision in *United States v. Hanafy*, 302 F.3d 485 (5th Cir. 2002). In *Hanafy*, the defendants purchased individual cans of baby formula obtained through welfare programs or stolen. The defendants would then re-package the cans in cardboard boxes with shrink wrap bearing the trademark of the manufacturer of the product. No defendant had the permission of the manufacturer to use or re-produce the trademark. The defendants would then sell the re-packaged cans to stores. As re-packaged, the cans gave the

appearance of having come from the warehouse of the manufacturer. The district court granted a judgment of acquittal after the jury convicted the defendants of a violation of the trademark laws. In affirming the decision of the district court, the Fifth Circuit said "We therefore hold that attaching a mark to trays containing the genuine unadulterated, unexpired product associated with that mark does not give rise to criminal liability under § 2320" *Id.* at 489. This holding is contrary to the holding of the Fourth Circuit in this case.

Aside from *Hanafy*, no criminal cases involve the placing of an unauthorized trademark on the genuine product of the trademark holder. The normal criminal case involves the placing of a trademark on a product that was not manufactured for the trademark holder regardless of whether the trademark is genuine. *See, e.g., United States v. Petrosian*, 126 F.3d 1232 (9th Cir. 1997) (placing product other than Coca-Cola in genuine Coca-Cola bottles is a violation of § 2320); *United States v. Hon*, 904 F.2d 803 (2d Cir. 1990) (selling fake prestige-brand watches with the logo of the maker). Until the Fourth Circuit Ruling in this case, no criminal case has ever held that the unauthorized placing of the trademark on product manufactured for the trademark holder is a violation of 18 U.S.C. § 2320.

The basic purpose of a trademark is to state to the consuming pubic that this is the product of the company. This principle has been recognized in numerous civil cases. In *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) the defendant took old Champion Spark Plugs and re-conditioned them. He then sold them as re-conditioned spark plugs in boxes marked with the logo "Champion." Champion brought an action under the Lanham act to prohibit the sale of the used spark plugs bearing the word "Champion."

In holding that the defendant had the right to use the word "Champion" on the Champion spark plugs it had re-conditioned, this Court, quoting from Justice Oliver Wendell Holmes, said:

> A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.

Id. at 129.

See also Polymer Technology Corp. v. Mimran, 37 F.3d 74, 78 (2d Cir. 1994) ("trademark law serves to guarantee the quality of the trademarked product."); *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 302 (3d Cir. 1998) ("As a matter of doctrine, a trademark owner attempting to use § 32 to prevent an infringement must establish that the products sold by the alleged infringer are not 'genuine.'"); *Shell Oil v. Commercial Petroleum Inc.*, 928 F.2d 104, 107 (4th Cir. 1991) ("As a general rule, trademark law does not apply to the sale of genuine goods bearing a true mark, even if the sale is without the mark owner's consent."); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 926 (8th Cir. 1967) ("A trademark is generally any name, sign, mark which one adopts to denominate commercial goods originating from him); *International Order of Job's Daughters v. Lindeburg and Company*, 633 F.2d 912, 914 (9th Cir. 1981) ("A trademark . . . identifies goods produced, sponsored, or endorsed by a particular organization and distinguishes them from goods originating from others.")

In *James Burrough Ltd v. Sign of Beefeater, Inc.*, 540 F.2d 266 (7th Cir. 1976) the court in discussing the purpose of a trademark said "A 'trademark' is not that which is infringed. What is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product's reputation." *Id.* at 274. The court in *General Electric Co.* further said:

> The only function of a trademark is to designate a product or service, and the misconduct at which section 1114 is aimed consists not in making the mark without authorization but in affixing it to the wrong product; it is a detail whether the trademark was stolen from the manufacturer or merely copied.

Id. at 535.

The government proceeded on the theory that when Mr. Farmer used the trademark of Nike and Tommy Hilfiger that a violation occurred even if the shirts were genuine.[3] They contended, without any authority in support of their position, the placing of the trademark on the t-shirts is counterfeiting. As the government stated to the court below "What is counterfeited here is the mark and not the shirt. Using the mark without authorization." Vol. IV Tr. at 17, ll 17-18. In essence, the government argued that the trademark had the same protections as a copyright. Mere copying was sufficient to violate the criminal code.

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3. The government apparently further recognized the difficulty of proving that Mr. Farmer knew the t-shirts were not genuine. To be guilty of a criminal trademark violation, the government is required to prove the defendant knew the items were in fact not genuine.

Failure to comply with quality control standards

The government further contended that the placing of the trademark was not done in accordance with quality control standards. As a result of the position the government took, the defendant, on November 20, 2002, filed a motion requiring the government to produce the quality control standards for placing the mark on t-shirts. By order dated December 26, 2002 Judge Currie ordered the government to produce the quality control standards. By verbal order, she required them to produce the standards by January 6, 2003 or the case would be dismissed. Tr. Pre-trial Conference Dec. 27, 2004 at 33, ll 4-8. On January 6, 2003 the government produced a letter from Nike. Letter from David Simpson to AUSA Eric Rushky dated Jan. 3, 2003. The defendant then moved the court to dismiss the indictment on the ground that the letter did not contain any standards as to the placing of the trademark on the t-shirts. That motion was denied as the trial judge found the letter to contain sufficient standards.

The government then prosecuted this case based upon an allegation that Nike and Tommy Hilfiger had quality control standards in the placing of their trademarks on their garments. They did not prosecute the case based upon the t-shirt not being genuine shirts of the trademark holder. As discussed above, this concept totally disregards the purpose of trademark law. As stated by Justice Holmes in 1924, "Then what new rights does the trade-mark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright." *Prestonettes* at 368. The government has in this case treated a trademark as a copyright and says the mere reproduction even on genuine product of the trademark holder is a violation of the criminal law.

Even under this theory, the government's case must fail. The "standards" produced by Nike and Tommy Hilfiger are in reality no standards. The reliance by the Fourth Circuit on *Shell Oil Co.* is misplaced. In the *Shell Oil* case the quality control standards related to the product itself and not the logo. As Shell Oil had set forth quality control standards that related to the product and which if not followed would cause the product to be of inferior grade, the court held the defendant liable for trademark infringement. Even in that case, the injunction related to the use of the Shell trademark in relation to the bulk oil sales, not the sales of oil in cans packaged by Shell. Neither the Fourth Circuit in *Shell Oil* nor any other circuit has ever ruled that the trademark itself was to have quality control standards. The holding of the Fourth Circuit in this case is, therefore, contrary to other circuits and holdings of this Court.

The cases that relate to quality control have related to the product itself. Even establishing standards does not end the inquiry. Those standards must be material. As the Third Circuit has said:

> At the same time 'quality control' is not a talisman the mere utterance of which entitles the trademark owner to judgment. . . . Rather, the test is whether the quality control procedures established by the trademark owner are likely to result in differences between the products such that consumer confusion regarding the sponsorship of the products could injure the trademark owner's goodwill.

Iberia Foods Corp. v. Romeo, 150 F.3d 298, 304 (3d Cir. 1998).

The "quality control standards" produced by Nike simply do not contain any standards as to the application of logo to the shirts. Letter from David Simpson to AUSA Eric Rushky dated January 3, 2003. At trial, other than a general statement that the embroidery was not located correctly or did not look right, no standards for the embroidery were established. The government produced no testimony as to the number of stitches per inch that should be used nor the requirements as to the type of thread. Simply put, the standards given to the defendant before trial and testified to by the Nike and Tommy Hilfiger experts were subjective. Subjective standards are no standards. As a result of the failure of the government to produce standards before trial as required, the indictment should have been dismissed.

One fact must be noted. This case is not an attempt by Nike or Tommy Hilfiger to enjoin Mr. Farmer from any improper use of their trademark. Nor is this an action based upon any unfair trade practice under state or federal law. This is a criminal action in which the government is attempting to place William Haskell Farmer in prison for 84 months because he placed a Nike or Tommy Hilfiger trademark on their own products. When no case has made the action of Mr. Farmer criminal and the statute on this issue is at best ambiguous, this court cannot for the first time declare his action to be illegal. *Bouie v. City of Columbia*, 378 U.S. 352 (1964). If the mere reproduction of a trademark is to be made criminal, that decision should be left to congress. The motion to dismiss the indictment should have been granted and the case dismissed.

In deciding this case, the Fourth Circuit Court of Appeals incorrectly found that "[T]he government continues to maintain that Farmer was not offering genuine brand-name

t-shirts at all." App. at 10a. The government in their brief to the Fourth Circuit said, for the first time, "The blank tee shirts purchased by Farmer were not genuine Nike or Hilfiger shirts." Br. of Government at 32.

At the trial below, the government in arguing against the motion to dismiss took the exact opposite position. There they said "What is counterfeit here is the mark and not the shirt. Using the mark without authorization." Vol. IV Tr. at 17. The government presented not a scintilla of evidence that the shirts themselves were not genuine. In fact the customs agent in charge of the case testified that most were purchased indirectly from a Nike distributor or other people who sell Hilfiger and Nike t-shirts. Vol. I Tr. at 169, ll 5-21. The trial judge in ruling upon the motion to dismiss said "The question before the court, rather, is whether Defendant's alleged use of the Nike trademark on 'genuine' Nike t-shirts can be considered 'likely to cause confusion, to cause mistake, or to deceive.'" App. at 17a.

This Court has held that a conviction cannot stand when the government urges one theory for a conviction and another on appeal. As this Court has said:

> A cryptic form of indictment in cases of this kind requires the defendant to go to trial with the chief issue undefined. It enables his conviction to rest on one point and the affirmance of the conviction to rest on another. It gives the prosecution free hand on appeal to fill in the gaps of proof by surmise or conjecture.

Russell v. United States, 369 U.S. 749, 767 (1962).

Every circuit that has had the occasion to address the issue has either held or stated in dicta that the mere copying of a trademark is not a violation. The are unanimous in stating that the trademark is used to identify goods. The precedents of this Court have also held that the trademark law does not prohibit copying of the trademark. The Fourth Circuit stands alone in this area.

When a company sells to the public shirts that were manufactured for another company which have had the labels replaced with the labels of the company selling the product has that company guilty of unclean hands so that the equitable doctrine of unclean hands may be asserted by the defendant in a criminal case?

In 1984 the congress declared for the first time that selling fake products was a violation of criminal law. The act provides that in prosecuting a criminal trademark violation the defendant is entitled to assert all the defenses that are available under the civil law commonly called the Lanham Act. The act says "All defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act shall be applicable in a prosecution under this section." 18 U.S.C. § 2320(c). The Lanham Act provides as a defense "that the mark has been abandoned by the registrant or . . . (9) That equitable principles, including laches, estoppel, and acquiescence, are applicable." 15 U.S.C. § 1115. While a criminal court is not a court of equity, for purposes of prosecuting a criminal violation of the trademark laws, it effectively becomes one. The reasoning behind such a position is simple.

The government should not be permitted to bring a criminal violation when the holder of the mark would not have been permitted to successfully bring a civil action against the same alleged offender.

Mr. Farmer asserted an equitable defense of unclean hands. This defense in trademark law has been recognized by the this Court since 1903. In *Clinton E. Worden & Co. v. California Fig Syrup Co.*, 187 U.S. 516 (1903) the California Fig Syrup Co. brought suit to enjoin the Clinton E. Worden & Co. from using the phrase "Syrup of Figs" and placing the words on boxes that were similar to the boxes used by the California Fig Syrup Co. The defendant asserted the equitable defense of unclean hands. It sought to establish that in fact the product of the California Fig Syrup Co. did not contain any fig syrup and was therefore a fraud upon the public. As a result of the misleading actions of California Fig Syrup Co., the defendant contended that California Fig Syrup Co. was not entitled to enforce their trademark against the defendant.

This Court agreed with the defendant. Citing with approval numerous cases from various states, the Court said "Any material misrepresentation in a label or trade-mark as to the person by whom the article is manufactured, or as to the place where manufactured or as to the materials composing it, or any other material false representation, deprives a party of the right to relief in equity." *Id.* at 529. This Court further said:

> Those who come into a court of equity, seeking equity, must come with pure hands and a pure conscience. If they claim relief against the hands of others, they must be free themselves from the imputation. If the sales made by the plaintiff and

> his firm are [effected] or sought to be, by misrepresentation and falsehood, they cannot be listened to when they complain that, by the fraudulent rivalry of others, their own fraudulent profits are diminished. An exclusive privilege for deceiving the public is assuredly not one that a court of equity can be required to aid or sanction.

Id. at 531.

These same principles were more recently recognized by the Court in *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942) when this court said "Similarly equity will deny relief for infringement of a trademark where the plaintiff is misrepresenting to the public the nature of his product either by the trademark itself or by his label." *Id* at 494.

Against this background, Mr. Farmer contends that he has in fact established, at the very least, a jury question as to whether Nike and Tommy Hilfiger have unclean hands. Mr. Farmer introduced evidence that both Nike and Tommy Hilfiger had taken labels out of t-shirt manufactured for other companies and replaced the neck label with one of their own. Thus, the evidence tended to establish that Nike and Tommy Hilfiger had a practice of selling to the public t-shirts with their logo that were not manufactured for them.

The district court in holding that Mr. Farmer had not produced enough evidence to establish this defense said "There is no evidence before me that these shirts don't meet the specifications for Nike." Jt. App. at (8).[4] The problem

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4. While the trial judge did not so state, by implication the same ruling would have applied to Tommy Hilfiger shirts.

with the court's holding on that issue, is that the government never produced the specifications for the shirts manufactured for Nike and Tommy Hilfiger. In fact, the expert for Nike, David Simpson testified as follows:

> Q. (by Mr. Wise) So, in your keeping as head of security, you don't have a clue as to whether or not that is any manufacturing specifications for Nike?
>
> A. (by Mr. Simpson) Not a clue, sir.
>
> Q. Okay. And that is because you really don't know what the manufacturing specifications for these different garments are?
>
> A. I don't know off the top of my head, no I don't, sir.
>
> Q. You didn't bring anything with you to show you?
>
> A. No.
>
> Q. You did not do any testing on these garments to determine whether the construction was in accordance with Nike or not in accordance with Nike?
>
> A. No, sir. Vol. II Tr. at 93, ll 19-25 to 94, ll 1-6.
>
> Q. No one on your team ever made a determination that these shirts were counterfeit based upon the construction of the garment?
>
> A. That's true. Vol. II Tr. at 95, ll 10-13.

Thus, when even the expert for Nike does not know the standards, the court cannot make the determination that no evidence exists that the shirts in which the labels were changed do not meet the standards. And Tommy Hilfiger fares no better. When asked about a shirt that the government had introduced as being "counterfeit", Jade Huang, the expert for Tommy Hilfiger, testified first on direct and then on cross-examination:

> Q. (by Mr. Ruschky) Is it a legitimate authorized label? Can you tell?
>
> A. (by Ms. Huang) No, not without sending it back to the production division. Jt. App at 335, ll 12-14
>
> * * *
>
> Q. (by Mr. Wise) But the shirt, if it were blank, does it meet the Tommy Hilfiger specifications?
>
> A. (by Ms. Huang) I couldn't tell you that without sending it back to production.
>
> Q. Without going back to production?
>
> A. No. Vol. II Tr. at 21, ll 11-16.
>
> * * *
>
> Q. So you can't tell us, forget the logo for a moment, whether the fabric itself was manufactured for Tommy Hilfiger or not without going back to production?

> A. No. I can tell you based up my experience the hand fell and the weight of this does not appear to be our standard. But I don't want to say without going back to production that it is not so.[5]

Vol. II Tr. at 21, ll 24-25 to 22, ll 1-5.

Thus the government had not established any specifications for the production of either Nike or Tommy Hilfiger t-shirts. Until the government has established that there is a product with specifications, the court cannot rule that the defendant has failed to show the shirts upon which the company replaced the labels, did not meet the specifications. The defendant cannot be expected to disprove an unknown specification. Without at least some specifications, the government simply has not met its burden of proving a product has been counterfeited.

One cannot imagine an expert for Hickey Freeman suits testifying in court that he could not tell if the suit met the specifications of Hickey Freeman. An expert for Rolex in a counterfeiting case would surely say more than "it looks wrong." An expert for Coca-cola would surely say more than "it tastes different." And the reason those experts would not testify in that manner is that each company has a true product to defend. They can tell the court why the infringing product is not the genuine product. Under the government's theory, Ford Motor Company could purchase vans manufactured by Chevrolet and take the Chevrolet trademark off of them. Ford

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5. The shirts the witness was being asked to identify had been seized by the government in the summer of 1998. The trial in the case took place in January of 2003. After over four years, the best the expert could say was they would have to send the shirt back to production to determine if it were counterfeit.

could then place the Ford logo on the vans and sell them as genuine "Ford" vans without violating the trademark. Obviously this is preposterous.

The mere fact that Nike and Tommy Hilfiger change labels in t-shirts should be at least some proof of the lack of standards that they have. If they have no standards, then the defendant would obviously be unable to prove the t-shirts from which the labels were changed do not meet those standards. If there are no standards, then an argument can be made Nike and Tommy Hilfiger have abandoned their trademark. *Barcamerica International USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589 (9th Cir. 2002). As the government failed in its proof of any standards, the trial court erred in holding that the defendant had failed to prove the shirt did meet the standards that did not exist.

But the basic question the district court and the Fourth Circuit erred on is not whether the defendant had proven its case for the purpose of directing a verdict. The question is whether the defendant had presented enough evidence for the jury to consider the defense of unclean hands. When the defendant establishes evidence that both companies cut out labels of other manufactures and place their labels in the shirts, then at the very least a jury question has been presented on that issue. It defies logic to say that Mr. Farmer selling as a second a shirt he bought as a Nike shirt and put a logo on it, deceives the public while Nike, selling as a first quality a shirt it took the Haynes label out of and placed a Nike label in it, does not as a matter of law deceive the public. Neither Nike nor Tommy Hilfiger would ever place a sign in their stores that says "We reserve the right to cut Haynes labels out of Haynes t-shirts and sell them as our t-shirt." If they did, they would not be deceiving the public. But because such a sign would impact their sells, no such sign appears in their stores. And because it would impact their sales, it is a deceptive practice to change labels.

Both Nike and Tommy Hilfiger had the right to require that all t-shirts not sold to them be destroyed. They had the right to require that all t-shirts not sold to them have the labels replaced with a generic label. They had the right to make their t-shirts in such a unique manner that their experts could tell their shirt from an imitation. But they both choose not to take any of those steps. Once Nike and Tommy Hilfiger sold their shirts, the customers were free to use them as they pleased. No contract of which William H. Farmer was a party prevented him from placing a logo on the t-shirts. Only the trademark law prohibits him from placing a logo on the shirt that is not that of the manufacturer of the shirt. Thus he could not place a "Nike" logo on a t-shirt manufactured for "Tommy Hilfiger" In fact, body shops frequently replace logos on cars they rebuild without fear of running afoul of the trademark law. A body shop could not place a "Ford" logo on a "Chevrolet" automobile without violating the trademark laws.

The Fourth Circuit Court of Appeals dismissed this issue with a brief footnote. App. at 12a. They did not discuss or follows the numerous holdings from this Court that have held that when a party is deceptive as to the origin of their product, they are guilty of unclean hands.

The government will say that granting a writ of certiorari and reversing the conviction in this case will mean that a trademark means nothing. Mr. Farmer will say that a decision in his favor will mean that a trademark must mean something. Only when a trademark is used for its true purpose of identifying a particular product will a trademark have any meaning or any real value and will trademark law be properly distinguished from copyright law.

CONCLUSION

As the opinion of the Fourth Circuit Court of Appeals is in conflict with decisions of other circuits as to the meaning of a trademark, this Court should grant the writ of certiorari in this matter and reverse the conviction of William Haskell Farmer. As the holding of the Fourth Circuit as to the defense of unclean hands is in conflict with established precedent of this Court, this Court should further grant the writ of certiorari and reverse the conviction for the failure of the trial court to charge the law of unclean hands.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DECIDED JUNE 4, 2004

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

No. 03-4428

UNITED STATES OF AMERICA,

Plaintiff-Appellee,

v.

WILLIAM HASKELL FARMER,

Defendant-Appellant.

Appeal from the United States District Court
for the District of South Carolina, at Columbia.
Cameron McGowan Currie, District Judge;
Dennis W. Shedd, District Judge.
(CR-00-385)

Argued: February 27, 2004

Decided: June 4, 2004

Before WIDENER, WILKINSON, and GREGORY, Circuit Judges.

Affirmed by published opinion. Judge Wilkinson wrote the opinion, in which Judge Widener and Judge Gregory joined.

Appendix A

OPINION

WILKINSON, Circuit Judge:

In April 1998, the United States Customs Service learned of a large-scale counterfeit clothing operation run by William H. Farmer, and it obtained a warrant to search Farmer's residence. Evidence at Farmer's home confirmed that Farmer was purchasing blank t-shirts and sweatshirts manufactured for companies like Nike and Hilfiger, placing those companies' logos on the shirts without authorization, and then passing along the shirts to the public as brand-name goods. Farmer pled guilty to charges of trafficking in counterfeit clothing and conspiracy to commit money laundering, conditioned on his right to bring this appeal. Farmer contends that the search warrant of his home was based on stale information, and that his indictment failed to allege any violation of the criminal trademark infringement statute. We find Farmer's claims without merit, and affirm his conviction.

I.

Many of the t-shirts and sweatshirts sold by sportswear companies like Adidas, Nike, or Reebok are actually produced by independent mills or factories. For instance, once Nike has designed a particular t-shirt, it may authorize one or more mills to produce the shirt based on Nike's specifications. Yet more than merely fabric, shape and color make the shirt recognizable as one of Nike's—a satin finish, "booklet fold" neck label and the famous Nike swoosh identify the shirt to consumers as belonging to the Nike brand.

Nike thus supplies its authorized manufacturers with neck labels to be sewn into the collars during production, and then Nike's trademark is affixed to the shirt either at the original mill or at a separate facility.

Not all of the shirts produced by any mill end up in Nike's hands. For instance, some shirts will not meet Nike's specifications. The shirts that have manufacturing flaws are classified as "irregular" or "B-grade," and while Nike permits its mills to sell irregular shirts, the mills are required first to remove Nike's name or logo from all irregular garments. The purpose is to prevent clothing that Nike has already rejected as substandard from being associated with the Nike name. In addition to irregulars, mills may be left with apparel as a result of overruns or cancelled orders, and the mills may also sell this apparel so long as they remove all names or logos.

Farmer attempted to take advantage of this system. He purchased millions of dollars worth of blank t-shirts and sweatshirts from various mills that were manufacturing apparel for Nike, Adidas, and Tommy Hilfiger. Farmer then hired companies to sew labels into the shirts, and either screen-print or embroider logos (mostly Nike's) on them. Finally, Farmer sold the shirts to Carolina Apparel Trading, Inc., an outfit that bought closeouts, overruns and irregulars from manufacturers and resold them to off-price retailers such as T.J. Maxx and Marshalls.

The Customs Service first learned of Farmer's operation from John Pierce and Ron Davis, who had been indicted for their involvement in an unrelated counterfeit clothing

operation. On April 14 and 15 1998, Pierce and Davis informed Customs Special Agent G. Bruce Pharis that in roughly four months— from January 2 through May 18, 1997—they had sold Farmer more than a half-million dollars' worth of counterfeit clothing. Farmer paid Pierce and Davis either by cashier's check or by wiring money to their bank account, and his last payment to them was made on June 14, 1997.

According to Pierce and Davis, they usually delivered the merchandise to Farmer at a motel in Greenville, South Carolina, but on one occasion they delivered to a warehouse in Greenville. Agent Pharis subsequently identified the warehouse as belonging to Advance Direction, Inc. ("ADI"). In May 1998, as a result of discovery in civil litigation between Tommy Hilfiger and ADI, Agent Pharis learned that ADI had purchased counterfeit Tommy Hilfiger t-shirts from Farmer in the fall of 1996. Pharis then investigated the telephone number that Pierce and Davis had used to contact Farmer, and found that it was registered to 5 Hilander Court, Travelers Rest, South Carolina, which Pharis confirmed as Farmer's home address. According to telephone records for Farmer's residence, Farmer had called Ron Davis in October 1997. He had also made several phone calls in October 1997 to Heritage Embroidery, which was the company that embroidered Nike logos on t-shirts for Farmer.

Based on this information, Customs Service agents obtained a warrant in July 1998 to search Farmer's residence for evidence of trafficking in counterfeit clothing. In addition to large sums of currency, agents seized customer copies of 258 cashier's checks. These included checks from Carolina

Appendix A

Apparel Trading to Farmer, as well as checks from Farmer to Spring Ford Knitting, one of the mills from which Farmer purchased the blank t-shirts; Creative Apparel, the company that sewed the neck labels into the t-shirts; Dixie Screen Printing, the company that screen-printed logos on the t-shirts; and Heritage Embroidery. The agents also seized a lease for a warehouse at 1525 Cedar Lane in Greenville, as well as invoices from Spring Ford Knitting and Hubscher Ribbon, the company from which Farmer purchased neck labels. Farmer then consented to a search of the pickup truck and trailer parked in front of his house, where along with more invoices and cashier's checks, agents seized nearly six thousand t-shirts screen-printed with Nike's swoosh logo.

The agents subsequently obtained a search warrant for the Cedar Lane warehouse, where they seized approximately 3,500 shirts with Nike's logo; 9,700 shirts with Adidas's logo; 141,000 blank t-shirts, 122,000 of which had Nike neck labels; two punch guns used for attaching hang tags to garments; and roughly 20,000 bar codes. Searches of Creative Apparel, Dixie Screen-Printing, and Carolina Apparel Trading ensued with predictable results: agents obtained tens of thousands of t-shirts with Nike neck labels or logos, as well as various business records confirming dealings between Farmer and the companies.

On May 2, 2000, Farmer was charged before the United States District Court for the District of South Carolina with trafficking in counterfeit clothing, money laundering, conspiracy to commit counterfeit clothing trafficking and money laundering, and rescuing seized property. Farmer moved to quash the search warrant of his house, but the

district court denied his motion. Farmer subsequently moved to dismiss the indictment against him, but this motion too was denied by the district court. Farmer's trial commenced on January 13, 2003, and after three days of testimony, the district court ruled that as a matter of law Farmer had failed to establish any affirmative defense. Farmer then entered a conditional plea of guilty to trafficking in counterfeit clothing and conspiracy to commit money laundering. On May 8, 2003, Farmer was sentenced to 84 months in prison, as well as restitution and forfeiture.

On appeal, Farmer contends that the district court erred when it failed to quash the search warrant of his home. He also argues that the district court should have dismissed the indictment against him. We address his claims in turn.

II.

Farmer first asserts that the district court erred in failing to quash on grounds of staleness the July 1998 search warrant of his home, which was based on the affidavit of Special Agent Pharis. Farmer contends that the information contained in Pharis's affidavit—information gathered by Pharis during his interviews with John Pierce and Ron Davis—was too old to furnish probable cause for the search. Although Pierce and Davis had sold Farmer counterfeit clothing throughout the first half of 1997, Farmer's last payment to the pair was made on June 14, 1997. And the several phone calls from Farmer to Davis and Heritage Embroidery were made in October 1997, roughly nine months before the warrant issued. According to Farmer, nothing in Pharis's affidavit provided probable cause to believe that Farmer's counterfeiting had continued from October 1997 through July 1998.

The district court rightly rejected Farmer's staleness argument. As we have made clear, "[t]he vitality of probable cause cannot be quantified by simply counting the number of days between the occurrence of the facts supplied and the issuance of the affidavit." *United States v. Rhynes,* 196 F.3d 207, 234 (4th Cir.1999) (quoting *United States v. McCall,* 740 F.2d 1331, 1336 (4th Cir.1984)); *see also United States v. Spikes,* 158 F.3d 913, 923 (6th Cir.1998) (staleness not measured "solely by counting the days on a calendar"). "Rather, we must look to all the facts and circumstances of the case, including the nature of the unlawful activity alleged, the length of the activity, and the nature of the property to be seized." *Rhynes,* 196 F.3d at 234 (quoting *McCall,* 740 F.2d at 1336).

Here, all of the circumstances pointed toward a finding of probable cause. Farmer was under investigation for trafficking in counterfeit clothing and money laundering—not "mere isolated violation[s]" of the law, but criminal activities of "a protracted and continuous nature." *United States v. Johnson,* 461 F.2d 285, 287 (10th Cir.1972). The ongoing nature of Farmer's counterfeit clothing operation rendered the recency of the information in Pharis's affidavit less crucial, and "suggest[ed] that probable cause [was] not diminished solely by the passage of time." *McCall,* 740 F.2d at 1336; *see also Rhynes,* 196 F.3d at 234 (long-term drug trafficking and money laundering operation); *United States v. Alvarez,* 358 F.3d 1194, 1203 (9th Cir.2004) (long-term drug trafficking operation); *United States v. Williams,* 124 F.3d 411, 420 (3d Cir.1997) (protracted gambling outfit); *United States v. Maxim,* 55 F.3d 394, 397 (8th Cir.1995)

(continuous illegal possession of firearms); *United States v. Chapman*, 954 F.2d 1352, 1372-73 (7th Cir.1992) (repeated robberies).

Not only was Farmer's large-scale counterfeiting operation unlikely to have been suddenly abandoned, but Pharis's affidavit attested that the operation had continued for quite some time. Pierce's and Davis's dealings with Farmer, and Farmer's phone calls to Davis and Heritage Embroidery, indicated that Farmer had been counterfeiting clothing from at least January to October 1997. Thus Pharis's affidavit confirmed in fact what the nature of Farmer's criminal scheme suggested in theory: Farmer was engaged in an extended course of illegal counterfeiting. *See, e.g., United States v. Leasure*, 319 F.3d 1092, 1099 (9th Cir.2003) (six months old information not stale, in part because narcotics operation was elaborate and ongoing); *United States v. Spry*, 190 F.3d 829, 836 (7th Cir.1999) (nine months old information not stale given evidence of "ongoing continuous criminal activity") (internal quotation omitted). There was no reason for the Customs Service or the magistrate judge to believe that, between October 1997 and July 1998, Farmer's counterfeiting operation had ground to a halt, or evidence of Farmer's scheme had been moved or destroyed.

Finally, the nature of the property sought by the Customs Service also supported a finding of probable cause. The search warrant authorized Customs agents to look for "documents including . . . records of payment . . . bank statements, canceled checks, check registers, [and] all payment receipts . . . which constitute evidence, fruits and instruments of . . . trafficking in counterfeit goods." These

are precisely the types of records that "are not ordinarily destroyed or moved about from one place to another." *Rhynes,* 196 F.3d at 234; *see also McCall,* 740 F.2d at 1336-37; *United States v. Lacy,* 119 F.3d 742, 745-46 (9th Cir.1997) (ten months old information not stale because defendant unlikely to have disposed of pornographic materials); *United States v. Word,* 806 F.2d 658, 662 (6th Cir.1986) (several months lapse did not render information stale where "documents sought were business records prepared and kept in the ordinary course of business"). And Farmer's home phone records gave the Customs agents reason to believe that the records were likely located at Farmer's residence. *See, e.g., United States v. Fawole,* 785 F.2d 1141, 1146 (4th Cir.1986).

To accept Farmer's staleness argument, we would have to suppose that a successful and profitable criminal enterprise simply faded away for no apparent reason. This would defy common sense. In light of the totality of the circumstances—the ongoing nature of Farmer's alleged criminal activity, Farmer's apparent counterfeiting through most of 1997, and the type of business documents sought by the Customs Service—there was clearly probable cause in July 1998 to believe that evidence of Farmer's counterfeit clothing operation would be located at his residence.

III.

Farmer next contends that the district court should have dismissed the indictment against him, because the government failed to allege any violation of the federal criminal trademark infringement statute, 18 U.S.C. § 2320 (West 2003 & Supp.2004). According to Farmer, he affixed

trademarked logos (like Nike's swoosh and Tommy Hilfiger's flag) only to shirts that had been manufactured for the respective trademark holders. Granted, it was Farmer rather than the trademark holders who oversaw the construction of the shirts, but the end result, Farmer asserts, was that consumers received shirts no different from those actually peddled by Nike or Tommy Hilfiger. Because he did not confuse consumers about the source of his goods, Farmer argues, his unauthorized placement of the trademarked logos did not constitute criminal trademark infringement.

Farmer's argument, however, runs headlong into a number of difficulties. Perhaps most importantly, the government continues to maintain that Farmer was not offering genuine brand-name shirts at all. According to the government, Farmer largely was purchasing "irregulars"—shirts manufactured for, but rejected as defective by, Nike and Tommy Hilfiger. On the government's view, the entire point of Farmer's counterfeiting operation was to deceive consumers, to trick them into purchasing as Nike or Hilfiger clothing the very shirts those companies had already rejected as of lesser quality.

18 U.S.C. § 2320(a) subjects to criminal sanctions any person who "intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services." Farmer, of course, claims that he was not using a "counterfeit" mark, since he was selling shirts identical to those sold by authorized Nike and Hilfiger retailers. But the district court, in considering whether the indictment validly charged an offense of 18 U.S.C. § 2320, was required to accept the government's factual allegations as true. *See, e.g., Boyce*

Motor Lines v. United States, 342 U.S. 337, 343 n. 16 (1952); *United States v. Segal,* 299 F.Supp.2d 840, 844 (N.D.Ill.2004). The district court therefore properly declined to dismiss the indictment against Farmer, in light of the factual question as to whether Farmer's shirts were comparable in quality to those sold by Nike and Hilfiger.

Yet even were we to assume that none of Farmer's shirts were irregulars, it is undisputed that Farmer affixed trademarked logos to the shirts according to his own quality control standards—not Nike's and Hilfiger's.[1] One of the rights that a trademark confers upon its owner is "the right to control the quality of the goods manufactured and sold" under that trademark. *Shell Oil Co. v. Commercial Petroleum, Inc.,* 928 F.2d 104, 107 (4th Cir.1991) (citing *El Greco Leather Prods. Co. v. Shoe World, Inc.,* 806 F.2d 392, 395 (2d Cir.1986)). "For this purpose the actual quality of the goods is irrelevant; it is the control of quality that a trademark holder is entitled to maintain." *El Greco,* 806 F.2d at 395; *see also Shell Oil,* 928 F.2d at 107 (quoting *El Greco*); *cf.* Restatement (Third) of Unfair Competition § 24 cmt. c (1995).

It is easy to see as a practical matter why trademark holders like Nike and Hilfiger are accorded the right to control the quality of their goods: Farmer's shirts were almost certainly of inferior quality. Indeed, the government even presented evidence that Farmer had shoddily screen-printed

1. This is not a case where goods that had already been marked by the trademark holder were merely being repackaged, such that consumers could be sure of the goods' quality and source. *See United States v. Hanafy,* 302 F.3d 485, 486 (5th Cir.2002).

and embroidered Nike's and Hilfiger's logos. Regardless, it is no defense for Farmer to claim that his shirts were of the same quality as shirts assembled under Nike's or Hilfiger's control: the whole point is that deciding whether shirts pass muster is reserved to Nike and Hilfiger, not to Farmer. In denying Farmer's motion to dismiss his indictment, the district court correctly concluded that Farmer could be held criminally liable for infringing on Nike's and Hilfiger's right to control the quality of goods sold under their trademarks.[2]

IV.

For the foregoing reasons, the judgment of the district court is

AFFIRMED.

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2. Farmer also asserted two affirmative defenses, abandonment and misrepresentation, that he claims should have been submitted to the jury. The district court ruled after a three-day trial that Farmer had not presented sufficient evidence to warrant a jury charge on either defense. Having reviewed the record, we agree with the district court: Farmer failed to adduce evidence that Nike and Hilfiger had abandoned their trademarks or materially misrepresented the source of their goods.

APPENDIX B — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF SOUTH CAROLINA, COLUMBIA DIVISION FILED DECEMBER 26, 2002

IN THE UNITED STATE DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
COLUMBIA DIVISION

CR. NO. 3:00-0385

United States of America,

v.

William Farmer,

Defendant.

ORDER

This case is before the court on several motions: (1) Defendant's motion to dismiss the indictment; (2) Defendant's motion to produce certain discoverable evidence; (3) the Government's motion *in limine*; (4) the Government's motion for reconsideration of the court's October 17, 2002 Order enjoining the destruction of certain seized evidence and property; and (5) Defendant's objections to the Magistrate Judge's June 3, 2002 Order denying Defendant's request for return of certain seized evidence and property to pay for his attorney's fees.

The court held a pretrial conference in this case on December 18, 2002. At the conference, the court denied

Appendix B

Defendant's motion to dismiss, granted Defendant's motion to produce certain discoverable evidence, and granted, in part, the Government's motion to reconsider the court's October 17, 2002 Order enjoining the destruction of certain seized evidence and property.

This Order provides the reasons supporting the court's oral rulings at the December 18, 2002 hearings.

1. Defendant's Motion to Dismiss, Defendant's Motion to Produce Certain Discoverable Evidence, and the Government's Motion *in Limine*

Defendant filed a motion to dismiss the indictment on May 2, 2002. The Indictment charges Defendant with violating the Trademark Counterfeiting Act of 1984. *See* 18 U.S.C. § 2320, *amended by* Twenty-First Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, 116 Stat 1758 (2002). Other courts included in the Indictment are based on Defendant's alleged violation of § 2320. The Government responded to the motion on June 4, 2002. In response to Judge Shedd's August 20, 2002 order, the Government filed a supplemental memorandum on August 30, 2002, to which Defendant replied on September 13, 2002. These memoranda addressed the applicability of *United States v. Hanafy*, 302 F.3d 485 (5th Cir. 2002), to Defendant's motion to dismiss.

On October 23, 2002, Judge Shedd ordered the parties to further brief the impact of *Shell Oil Co. v. Commercial Petroleum*, 928 F.2d 104 (4th Cir. 1991), to Defendant's motion to dismiss. Defendant filed a memorandum on

October 30, 2002, and the Government filed a memorandum on October 31, 2002. In response to the Government's memorandum addressing the applicability of *Shell Oil* to Defendant's motion to dismiss. Defendant filed a motion to produce certain discoverable evidence on November 20, 2002.

For the reasons set forth herein, the court denies Defendant's motion to dismiss, and grants Defendant's motion to produce certain discoverable evidence.[1]

(1) Motion to Dismiss

The issue presented by the motion to dismiss is whether Defendant's alleged unauthorized placement of registered Nike trademark logos on shirts which were manufactured by a Nike licensee constitutes a violation of the Trademark Counterfeiting Act of 1984. *See* 18 U.S.C. § 2320, *amended by* Twenty-First Century Department of Justice Appropriations Authorization Act, Pub. O. No. 107-273, 116 Stat. 1758 (2002). Defendant argues that this alleged conduct, as a matter of law, does not violate § 2320 because the trademarks are not "counterfeit" as defined in § 2320(e) insofar are the Nike trademarks were placed on "genuine" Nike shirts.[2]

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1. This case was reassigned to this judge following Judge Shedd's elevation to the Fourth Circuit in December 2002.

2. The court notes that although the focus of the motion to dismiss is the alleged placement of the Nike trademark on genuine Nike shirts, the Government argues that "the evidence may show (Cont'd)

Appendix B

(A) Applicable Law

Section 2320 penalizes any person who "intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services." The statute defines a "counterfeit mark" as the following:

> [A] spurious mark – (ii) that is used in connection with trafficking in goods or services, (ii) that is identical with, or substantially indistinguishable from a [registered] mark . . . in use, whether or not the defendant knew such mark was so registered, and (iii) the use of which is likely to cause mistake, or to deceive.

For purposes of this motion, the parties do not dispute and it seems clear to the court that Defendant's use of the Nike trademark is (a) "spurious"[3], (b) used in connection with

(Cont'd)

that Farmer placed the Nike trademark on other than Nike goods," and "whether the trademark was placed on genuine or non-genuine goods is a determination of fact that should be developed at trial." *See* Government's Memorandum, June 4, 2002, at 2. In addition to Nike, moreover, some of Defendant's alleged conduct may relate to other registered trademarks. *See* Government's Memorandum, Oct. 31, 2002 at 2-3.

3. "In the absence of an indication to the contrary, words on a statute are assumed to bear their 'ordinary, comtemporary, common meaning.'". *Nat'l R.R. Passenger Corp. v. Morgan*, 122 S. Ct. 2061 n.5 (2002) (citations omitted). The word "spurious" is commonly defined as "not genuine, authentic or true, not from the claimed, pretended, or proper source." WEBSTER'S NEW UNIVERSAL UNABRIDGED DICTIONARY 1848 (1996).

trafficking in goods, and (c) identical with or substantially indistinguishable from the registered Nike trademark. The question before the court, rather, is whether Defendant's alleged use of the Nike trademark on "genuine" Nike t-shirts can be considered "likely to cause confusion, to cause mistake, or to deceive."

Fourth Circuit law interpreting § 2320 is limited. *United States v. Brooks*, 111 F.3d 365 (4th Cir. 1997), the only Fourth Circuit opinion addressing this statute in a significant manner, is not particularly relevant here. In fact, the court has failed to find any direct Supreme Court guidance or other federal case that addresses the specific factual circumstances presented in this case. However, *Shell Oil Company v. Commercial Petroleum Incorporated*, 928 F.2d 104 (4th Cir. 1991), provides some guidance for resolution of this motion.

Shell Oil is a case arising under a civil trademark infringement statute, the Lanham Trademark Act of 1946. 15 U.S.C. § 1114(1), 1125(a). In *Shell Oil*, the evidence at trial revealed that Commercial Petroleum ("Commercial") purchased bulk Shell Oil from Shell's authorized distributors and then resold it using Shell's trademark. Shell Oil, however, imposed stringent quality control standards on its trademark licensees. Commercial, who was not a Shell Oil licensee, employed less stringent quality control standards.

Based on this evidence, the district court found that Commercial had infringed on Shell Oil's trademarks. On appeal. Commercial raised two issues: "(1) whether trademark law applies to Commercial's sale of genuine bulk oil under Shell's marks creates a likelihood of customer

confusion." *Id.* at 107. Specifically, Commercial argued as to the first issue "that the district court erred in finding trademark infringement, because it resells genuine bulk oil under a true mark," and as to the second issue "that, even assuming its use of Shell's trademarks implicates trademark law, its sale of bulk oil under Shell's marks did not create a likelihood of customer confusion." *Id.* at 107-08.

Regarding the first issue, the Fourth Circuit recognized that as a general rule the sale of genuine goods bearing a true mark is not a violation of the Lanham Act. This general rule is true even if the genuine goods bearing a true mark are sold without the mark owner's authorization. *Id.* at 107. However, the Fourth Circuit also noted:

> A product is not truly 'genuine' unless it is manufactured and distributed under quality controls established by the manufacturer. The Lanham Trademark Act affords the trademark holder the right to control the quality of the goods manufactured and sold under its trademark. "[T]he actual quality of the goods is irrelevant; it is the control of the quality that a trademark holder is entitled to maintain."

Id. (citations omitted).

Relying on a mark owner's right to control the quality of its product, the Fourth Circuit concluded:

> The district court found that the quality control standards employed by Shell for the

> transportation, delivery and storage of bulk oil were necessary to maintain the quality of its bulk oil, and, in fact, Shell's quality control standards were an integral part of the bulk product identified by the marks. While Commercial does not dispute the importance of quality control standards, it contends that it employs its own standards that guarantee the quality of the oil. However, in order to maintain the genuineness of bulk oil, the quality standards must be controlled by Shell. It is insufficient that Commercial employed is own quality standards. Without Shell's enforcement of its quality controls, the bulk oil sold by Commercial was not truly "genuine."

Id. (citations omitted). The Fourth Circuit therefore affirmed the district court's finding of fact that "Commercial violated Shell's right under the Lanham Act to retain control of the use of its trademark in the sale of the product to the end user." *Id.* (citation omitted).

As to whether Commercial's sale of bulk oil under Shell's marks created a likelihood of customer confusion, the Fourth Circuit further concluded that "[t]he use of the Shell marks implies that the product has been delivered according to all quality control guidelines enforced by the manufacturer . . . Commercial does not follow Shell quality control procedures, and there was, therefore, a likelihood of customer confusion as to the quality and source of the bulk oil." *Id.* at 108.

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(B) Analysis

The court cannot conclude as a matter of law that the allegations against Defendant cannot support a conviction against him under § 2320. Although *Shell Oil* is a civil case involving the Lanham Act, the court finds the reasoning in that case applicable here.[4] Similar to the defendant in *Shell Oil*, Defendant here argues that because he affixed Nike trademark logos to "genuine" Nike t-shirts (i.e. t-shirts manufactured by Nike), his conduct is not prohibited § 2320. Defendant relies on the general principal expressed in *Shell Oil*, "trademark law does not apply to the sale of genuine goods bearing a true mark, even if the sale is without the mark owner's consent." *Id.* at 107 (citation omitted).

Shell Oil, however, is of no assistance to Defendant. The Government contends that Defendant knowingly used a counterfeit mark which is likely to cause confusion, mistake, or to deceive. Even if Defendant affixed a Nike trademark logo to a Nike t-shirt using Nike quality control standards, the resulting product is not truly "genuine" because it was not assembled with Nike in control of the quality of the assembly, it is insufficient that Defendant may have employed his own quality control standards. The trademark logo is spurious if not affixed under Nike's control because it is not from the claimed source (Nike). Further, its use is likely to

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4. Courts are split over whether legal principles developed under the Lanham Act apply in the § 2320 context. While there may be instances in which it would be inappropriate to import civil law principles developed under the Lanham Act into the § 2320 criminal context, the court finds no basis to disregard *Shell Oil* in this case.

cause customer confusion as to quality and source when marketed on shirts bearing Nike labels.

United States v. Hanafy, 302 F.3d 485 (5th Cir. 2002), does not assist Defendant either. *Hanafy* dealt with repackaging for sale products which had been produced and marked by the original manufacturer. In other words, the product was complete and was exactly what it was represented to be as to quality and source. In contrast, Defendant here is charged with completing the assembly process of the shirts by affixing Nike's trademark logo on the shirts. Thus there is likelihood of customer confusion as to quality and source.

For example, suppose Defendant uses a screening or embroidery method that may fade or rip away from the t-shirt more quickly than the screening or embroidery method used by Nike. Under such circumstances, a consumer could be deceived as to the quality of the t-shirt purchased from Defendant and manufactured for Nike. Section 2320 aims to penalize individuals who create this sort of confusion. For the reasons discussed above, therefore, Defendant's motion to dismiss is denied. [Defendant may renew his motion if, at trial, the Government fails to present evidence of Nike's quality control standards.] A: this stage of the proceedings, however, it would be inappropriate to dismiss the Indictment against Defendant based on this motion.[5]

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5. Defendant also notes that the Indictment fails because it did not include allegations that he neglected to follow Nike's quality control standards. The Indictment, however, adequately charges a violation under § 2320 as it traces the statutory language which

(Cont'd)

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(2) Motion to Produce Certain Discoverable Evidence

Defendant moves pursuant to Rule 16 of the Federal Rules of Criminal Procedure to require the Government "to produce any and all quality control standards used by Nike, Tommy Hilfiger, and Adidas in the placing of their logo on the t-shirts they sell." Motion to Produce Discoverable Evidence, Nov. 20, 2002. Specifically, Defendant contends that under Rule 16(C), (D), and (E), Fed. R. Crim. P., the Government should produce any documents or tangible objects, reports of examinations or tests, or any expert witnesses that relate to whether the t-shirts in question fail to meet any trademark owner's established quality control standards.

Defendant further contends that if such quality control standards do not exist or did not exist at the time of the alleged offense in 1997 and 1998, then Defendant is also entitled to that information pursuant to *Brady v. Maryland*, 373 U.S. 83 (1963) and *Kyles v. Whitley*, 514 U.S. 419 (1995).

At the December 18, 2002 hearing, the Government agreed to produce any evidence the Government plans to use at trial that is related to quality control standards used in applying a trademark logo to a mark owner's t-shirt, including

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penalizes any person who "intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services . . . [and is] likely to cause confusion, to cause mistake, or to deceive." *See* Indictment, May 2, 2000, at 5. *See also* 18 U.S.C. § 2320.

a list of relevant witnesses and a summary of their testimony and any and all relevant documents. Therefore, Defendant's motion to produce certain discoverable evidence is granted and the Government is hereby ordered to share with Defendants the information discussed above.

(3) Motion *In Limine*

The Government also filed a motion *in limine*, seeking to preclude Defendant from raising the "authorized use" or "overrun" exception included in § 2320 as a defense at trial. Under this exception, a counterfeit mark "does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation." 18 U.S.C. § 2320. *See also United States v. Hanafy*, 302 F.3d 485, 489 (5th Cir. 2002) (finding that no criminal liability under § 2320 where defendant merely attaches a mark to trays containing "the genuine, unadulterated, unexpired products associated with that mark") (citing *Prestonettes, Inc. v. Cory*, 264 U.S. 359, 368-69 (1924) (holding no civil liability when one purchases item in bulk and divides product in smaller portions for sale to consumer so long as products are marked as repackaged)). In this case, the Government assets that Defendant was not authorized by Nike to manufacture, produce, or affix the Nike trademark on the Nike t-shirts. Because the t-shirts were not completed when Defendant received them (i.e., the logo was still not affixed), moreover, the Government concludes that Defendant cannot establish as a matter of law the "authorized

use" exception. The court concludes that unless Defendant produces evidence of authorization from Nike this defense would be unavailable.

II. Motion to Reconsider the Court's October 17, 2002 Order Enjoining the Destruction of Certain Seized Evidence and Property

The Government filed a motion to destroy certain seized evidence and property on April 8, 2002. Defendant's co-defendant Joe D. Bolin pled guilty to conspiring to traffic in clothing and using counterfeit trademarks in violation of 18 U.S.C. §§ 371 and 2320, and co-defendants Mark S. Lewis and Roy Steve Sutton pled guilty to trafficking in clothing and using counterfeit trademarks in violation of 18 U.S.C. § 2320. The Government moves to destroy the property seized from these defendants under § 2320(b) which states that "[u]pon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles." 18 U.S.C. § 2320. By order dated June 3, 2002, the Magistrate Judge granted the Government's motion.

Defendant, however, filed a motion to enjoin the destruction of co-defendants Sutton's and Bolin's seized property on September 16, 2002. Defendant asserts an ownership interest in that property and claims it cannot be destroyed until the court finds by a preponderance of the evidence the seized property he allegedly owns is in fact counterfeit. By order dated October 17, 2002, Judge Shedd granted Defendant's motion until further order. On November

7, 2002, the Government filed a motion for reconsideration. The Government requests that the court issue an order of destruction pursuant to 18 U.S.C. § 2320 as to the evidence and property seized from co-defendant Lewis. At the hearing, Defendant conceded that he had no ownership interest in the evidence and property seized from co-defendant Lewis. Therefore, the court grants the Government's motion to reconsider. The evidence and property seized from Mark S. Lewis may be destroyed pursuant to 18 U.S.C. § 2320(b), provided that the Customs Service retains a representative sample for use at Defendant's trial.

III. Objections to the Magistrate Judge's June 3, 2002 Order Denying Defendant's Request for a Return of Certain Seized Evidence and Property to Pay for his Attorney's Fees

On July 21, 2000, Defendant filed a motion for a hearing to determine whether he was entitled to a return of all, or a portion, of his assets seized by the Government prior to his indictment. Defendant seeks the return of at least $215,000 of his assets to fund his defense. By order dated August 11, 2000, Judge Shedd denied Defendant's motion. Defendant filed an interlocutory appeal on August 15, 2000. The Fourth Circuit Court of Appeals vacated the court's order and remanded the matter for a "brief hearing" to "provide an opportunity for [Defendant] to prove by a preponderance of the evidence that the government seized untainted assets without probable cause and that he needs those same assets to hire counsel." *United States v. Farmer*, 274 F.3d 800, 805 (4th Cir. 2001).

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By order of Judge Shedd dated March 4, 2002, the matter was referred to Magistrate Judge McCrorey and a hearing was held on April 4, 2002. Prior to the hearing, the Magistrate Judge requested that the Government provide copies of warrants and inventory returns to aid in identifying assets which had been seized. At the hearing, the Government submitted the affidavit of G. Bruce Pharis, Special Agent, United States Customs Service, along with the material requested by the Magistrate Judge. The parties also stipulated to certain facts and testimony from Defendant for purposes of the pending motion. In addition, Defendant filed a brief in support of his motion, in which he argued that the seized assets were untainted. Based on the stipulated facts, Defendant claimed that he had not violated any criminal law. After the hearing on April 12, 2002, Defendant filed objections to certain portions of Mr. Pharis's affidavit. The Government then responded to Defendant's objections on April 24, 2002.

Based on the record before him, the Magistrate Judge denied Defendant's motion on June 3, 2002. The Magistrate Judge determined that the search warrants executed at Farmer's residence and office/warehouse in July 1998 were based on probable cause that Defendant was engaged in illegal counterfeiting of clothing trademarks in violation of § 2320. The Magistrate Judge pointed out that the returns show, among other items, "counterfeit" merchandise. The Magistrate Judge also concluded that the seizure warrants executed thereafter for personal items, such as cargo trailers, vehicles, currency, cashiers checks, and a bank account, were based on probable cause as items related to money laundering in violation of 18 U.S.C. §§ 1956(a)(1)(A)(i) and (B)(i). In

part, the Magistrate Judge relied on a "financial analysis of Farmer's business of selling counterfeit merchandise indicating that the items to be seized were traceable to money laundering related to the business." Order, June 3, 2002, at 2 (citing Affidavit of Special Agent G. Bruce Pharis, United States Customs Service). Finally, the Magistrate Judge found Defendant's argument–that his assets were served without probable cause because his conduct was not prohibited under § 2320–without merit. The Magistrate Judge reasoned that Defendant "affected the goods by placing the counterfeit marks directly on the apparel." *Id.* at 4. Therefore, the Magistrate Judge concluded that Defendant failed to show that any of his assets were seized without probable cause and denied Defendant's motion for a return of property.

Defendant filed an appeal from the Magistrate Judge's Order on June 24, 2002. Defendant contends that the seized property can be divided into five categories:

> 1) Blank apparel, mainly t-shirts which had no trademark or logo such as the Nike "swoosh" affixed;
>
> 2) A variety of items such as NFL jackets, caps, and underwear, key rings, and other items which had logos affixed when purchased;
>
> 3) Apparel purchased by [Defendant] as genuine goods to which he had caused to be affixed additional trademark's or logo of the same brand;
>
> 4) Cash and equivalents; and

> 5) A variety of personal property such as cars, trucks, trailers, jewelry, antique coins, a television, and the like.

Defendant's Objections, June 24, 2002, at 6.

Defendant claims the June 3, 2002 Order failed to consider these categories of merchandise separately in determining whether Customs seized untainted assets without probable cause. Defendant contends that the evidence in the record shows by a preponderance of the evidence that Categories 1, 2, 4 and 5 are untainted.

As to the t-shirts in Catetory 1, which comprise the greatest bulk of the seized property, Defendant emphasizes that these t-shirts are blank (without any unauthorized trademarks). Defendant claims this merchandise cannot be considered tainted merely because a counterfeit logo could have been applied to it. Defendant asserts that a violation of § 2320 occurs only when a counterfeit mark is used in connection with such goods or services. As to the Category 2 items, Defendant notes that this merchandise already had trademark logos affixed at the time of purchase and would be resold in its original condition. Defendant, therefore, would not use a counterfeit mark on or in connection with Category 2 merchandise. As to the items seized in Categories 4 and 5, which include cash, vehicles, jewelry, and other personal items, Defendant asserts that these items simply do not involve any trademark misuse.

Defendant also claims that the items seized in Category 3 are untainted. Defendant argues that the application of a

counterfeit Nike trademark on t-shirts manufactured by Nike is not unlawful under § 2320. Even if the items in Category 3 are tainted, however, Defendant asserts that much of his business in bulk quantity sales did not involve any addition of trademarks subject to seizure under § 2320. Defendant therefore claims that the preponderance of the evidence shows the merchandise seized in Categories 1, 2, and 5 is not tainted and cannot be traced to the evidence seized in Category 3.

The court has scheduled a hearing on Defendant's appeal from the June 3, 2002 Order of the Magistrate Judge. The hearing will be held on Friday, December 27, 2002, at 2:00 p.m.

IT IS THEREFORE ORDERED that Defendant's motion to dismiss is DENIED.

IT IS FURTHER ORDERED that Defendant's motion to produce certain discoverable evidence is GRANTED.

IT IS FURTHER ORDERED that the Government's motion to reconsider the October 17, 2002 Order is GRANTED IN PART.

IT IS FURTHER ORDERED that a hearing will be held on Friday, December 27, 2002, at 2:00 p.m.

IT IS SO ORDERED.

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s/ Cameron McGowan Currie
Cameron McGowan Currie
UNITED STATES DISTRICT JUDGE

Columbia, South Carolina
December 26, 2002

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DENYING PETITION FOR REHEARING FILED JUNE 29, 2004

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

No. 03-4428
CR-00-385

UNITED STATES OF AMERICA

Plaintiff - Appellee

v.

WILLIAM HASKELL FARMER

Defendant - Appellant

ORDER

Appellant has filed a petition for rehearing.

The Court denies the petition for rehearing.

Entered for a panel comprised of Judge Widener, Judge Wilkinson, and Judge Gregory.

For the Court,

/s/ Patricia S. Connor
CLERK